

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6159

BILL NUMBER: HB 1287

NOTE PREPARED: Apr 1, 2013

BILL AMENDED: Mar 28, 2013

SUBJECT: Local Government Reorganization.

FIRST AUTHOR: Rep. Thompson

FIRST SPONSOR: Sen. Pete Miller

BILL STATUS: As Passed Senate

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) The bill provides that in the case of a governmental reorganization involving municipalities and townships that are participating units in a fire protection territory on the date the reorganization is approved by voters, the fiscal body of the reorganized political subdivision may establish an equipment replacement fund and impose a property tax for the fund in the same manner as participating units in a fire protection territory may do so.

It specifies that if such a reorganized political subdivision establishes an equipment replacement fund, the Department of Local Government Finance (DLGF) may adjust the maximum property tax levy that would otherwise apply to the reorganized political subdivision in the same manner as the DLGF may adjust the maximum property tax levy of a civil taxing unit to meet the civil taxing unit's obligations to a fire protection territory.

The bill also specifies that the requirements and procedures in the statute governing the establishment of a cumulative fund and the imposing or increasing of a property tax rate for a cumulative fund also apply to an equipment replacement fund established for a fire protection territory.

Effective Date: (Amended) Upon Passage; July 1, 2013.

Explanation of State Expenditures: (Revised) The DLGF would have the responsibility for adjusting the maximum property tax levy for a reorganized political subdivision that establishes an equipment replacement fund. Additionally, the DLGF would have administrative responsibilities if taxpayers, by petition to the county

auditor, object to establishing or reestablishing an equipment replacement fund. The bill's requirements are within DLGF's routine administrative functions and DLGF should be able to implement the requirements with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: The bill would have indeterminate fiscal impact on reorganizing units that are within a fire protection territory or on units that are reorganizing with a unit within a fire protection territory. The bill would allow a reorganized political subdivision to levy a property tax for an equipment replacement fund.

(Revised) A fire protection territory establishing or reestablishing an equipment replacement fund would be required to provide public notice and hold a meeting prior to adopting the ordinance. The tax rate for reestablishing an equipment replacement fund would be limited in the first year of the fund to \$0.0333 per \$100 of assessed value.

Background: A fire protection territory is established by two or more participating units to provide fire protection and prevention services within the boundaries of the territory. One of the units participating in the fire protection territory is a provider unit, responsible for providing fire protection services. The territory, through ordinances adopted by the participating units, has the authority to establish a fire protection replacement fund and may levy property tax as a funding source.

Under current law, if units participating in a fire protection territory reorganize into one unit, the single reorganized political subdivision would not have authority to establish a fire protection territory, and the authority of the fire protection territory to establish a fund and levy property tax would no longer be available. Similarly, if a unit that is not part of the fire protection territory merges with a unit or units that are participating, the fire protection territory would no longer exist.

The needs of the reorganized political subdivision for fire equipment and the funding level for the fire equipment replacement would be dependent on the needs of the reorganized unit within the new boundaries.

State Agencies Affected: DLGF.

Local Agencies Affected: Local units in fire protection territories and units reorganizing with units within a fire protection territory.

Information Sources:

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